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FISCAL IMPACT STATEMENT

LS 6720

BILL NUMBER: HB 1749

NOTE PREPARED: Jan 13, 2003

BILL AMENDED:

SUBJECT: Guaranteed Individual Health Coverage.

FIRST AUTHOR: Rep. Fry

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill repeals the law concerning the Indiana Comprehensive Health Insurance Association (ICHIA). The bill replaces the ICHIA law with a law under which an accident and sickness insurer or health maintenance organization that provides coverage for basic health care services in Indiana is required to provide coverage as well to certain qualified individuals under an individual health benefit plan at a rate not to exceed 150% of the average health benefit plan premium charged in the previous calendar year. The bill makes conforming amendments. It also makes a technical change.

Effective Date: Upon passage.

Explanation of State Expenditures: The bill eliminates the Indiana Comprehensive Health Insurance Association (ICHIA) and provides for guaranteed issue of individual health insurance coverage to specified uninsured and uninsurable individuals without limitation or exclusion for preexisting health conditions. The bill also prohibits the premium for such coverage from exceeding 150% of the average premium charged for health benefit plan coverage by the five providers with the largest premium volume in Indiana. The elimination of ICHIA would relieve the state of its annual liability for ICHIA program losses (i.e., the difference between premium receipts and the total administrative and claims costs incurred). ICHIA program loss for CY 2001 was \$61.4 M. ICHIA program losses are estimated to be approximately \$79.1 M in CY 2003 and \$105.5 M in CY 2004.

In addition, it appears that the bill does not provide for member companies to utilize tax credits for ICHIA assessments they have not exhausted during prior years. Preliminary data collected in 2002 indicate that ICHIA assessments in 2001 exceeded tax credits taken by approximately \$10.3 M. Given the basis for this estimate and since some companies have not been able to take full advantage of accumulated credits, the

carryover would in actuality be higher. In the event that unused tax credits could not be claimed in the future, the savings to the state through the elimination of ICHIA would be increased by at least \$10.3 M based on this year's accumulated credits, alone.

The provisions relating to guaranteed issue and limiting premiums for such coverage, albeit significant in terms of the individual health insurance market, may also increase the cost of state employee health benefit costs. This increase is contingent upon the degree insurers increase rates in general to compensate for losses associated with mandated coverage.

Background: ICHIA is funded through premiums paid by individuals obtaining insurance through ICHIA and by assessments imposed on member companies (insurers, health maintenance organizations, and others that provide health insurance or health care coverage in Indiana). Assessments are imposed on member companies in May and November each calendar year in proportion to each member's respective share of total health insurance premiums received in Indiana during the year. The assessments also depend upon the amount of program losses which have to be covered by the assessments. The ICHIA program loss is equal to the difference between premium receipts obtained by ICHIA and the total administrative and claims costs incurred by ICHIA during the calendar year. ICHIA program loss for CY 2001 was \$61.4 M. ICHIA program losses are estimated to be approximately \$79.1 M in CY 2003 and \$105.5 M in CY 2004.

Member companies are currently permitted to offset the cost of the assessments by taking a dollar-for-dollar credit against Premium Taxes, Adjusted Gross Income Taxes, or a combination of these, up to the amount of taxes due each calendar year in which assessments were paid. Under current statute, remaining assessments can be credited in succeeding years until the total of the assessments has been offset. Thus, most ICHIA assessments paid by member companies are currently reimbursed by the state General Fund in the form of reduced tax payments from those companies. Beginning October 31, 2002, insurers are required to report the amount of assessments paid and tax credits taken each year. Data from CY 2001 is currently incomplete. However, preliminary data collected by Outsourced Administrative Systems (OASYS, third-party administrators of ICHIA) during 2002 indicated that ICHIA assessments in 2001 exceeded tax credits taken by approximately \$10.3 M.

Explanation of State Revenues: See *Explanation of State Expenditures*, above.

Explanation of Local Expenditures: Similar to the state, the provisions relating to guaranteed issue and limiting premiums for such coverage may increase local government employee health benefit costs. This increase is contingent upon the degree insurers increase rates in general to compensate for losses associated with mandated coverage.

Explanation of Local Revenues:

State Agencies Affected: Indiana Comprehensive Health Insurance Association.

Local Agencies Affected:

Information Sources: Doug Stratton, Executive Director, ICHIA, 317-877-5376; Ann Bingman, OASYS, 317-614-2000; Melissa Carlson, OASYS, 317-614-2000; Testimony of Connie Brown of MPlan to the Budget Committee on November 12, 2002.

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